

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4049

INFO AMEMBASSY CARACAS

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E.O. 11652: GDS

TAGS: ENRG, PFOR, PE, VE, EMIN

SUBJECT: VENEZUELAN-PERUVIAN OIL SCHEME AND BAYOVAR
INVESTMENT

REFS: CARACAS 1884, STATE 34756, LIMA 1308, LIMA 1169

1. THE VENEZUELAN COMMERCIAL COUNSELOR NOW TELLS US THAT GOV HAS DOUBTS ABOUT THE FEASIBILITY OF REQUESTING PERU TO REPAY IN PERUVIAN OIL FIFTY PERCENT OF ITS DEBT INCURRED FROM THE PURCHASE OF VENEZUELAN OIL. HE SAID THE GOV DOES NOT BELIEVE THAT PERUVIAN PRODUCTION WILL BE SUFFICIENT IN THE NEAR TERM TO MEET THE GOV'S CONDITIONS. THEREFORE, THE GOV IS NOW CONSIDERING A LOAN ARRANGEMENT FOR THE SECOND FIFTY PERCENT. PRESUMABLY, THE FIRST FIFTY PERCENT WOULD BE PAID FOR ON CURRENT ACCOUNT, AS INDICATED IN CARACAS 1422.

2. THE COUNSELOR SAID THAT GOV AND GOP CONTINUE TO DISCUSS THE POSSIBILITY OF A JOINT VENTURE ARRANGEMENT FOR THE BAYOVAR PHOSPHATE DEVELOPMENT BUT NO ARRANGEMENT.
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MENT HAS BEEN REACHED.

3. IN REGARD TO THE OIL SCHEME, THE VENEZUELAN HOUSING MINISTER, DR. HECTOR HURTADO, TOLD THE PRESS IN LIMA FRIDAY, FEBRUARY 21, THAT THE GOV HAS AGREED TO SELL PERU 20,000 B/D TO HELP COVER PERU'S DEFICIT DURING THE PERIOD 1975-76. HE SAID THE OIL WILL BEGIN TO ARRIVE IN MARCH, AFTER A SALES CONTRACT IS SIGNED. ACCORDING TO THE PRESS, HURTADO SAID THE TWO GOVERNMENTS ARE NOW WORKING OUT THE FINAL DETAILS OF THE CONTRACT.

4. GENERAL (RET.) FERNANDEZ BACA, HEAD OF PETROPERU, TOLD THE PRESS UPON HIS RETURN FROM CARACAS FEBRUARY 21 THAT HE WAS NOT INFORMED ABOUT A FINAL ACCORD ON THE SALE OF 20,000 B/D WHICH HURTADO HAD JUST ANNOUNCED TO THE PRESS.

5. COMMENT: FERNANDEZ BACA'S RELUCTANCE TO CONFIRM THE DEAL MAY HAVE BEEN BASED ON LACK OF KNOWLEDGE, BUT MORE LIKELY STEMS FROM PERUVIAN CONCERN ABOUT THE VENEZUELAN TERMS FOR THE DEAL, WHATEVER THEY MAY ACTUALLY BE. IF THE COUNSELOR'S CONTENTION ABOUT LACK OF SUFFICIENT PERUVIAN RESERVES IS, IN FACT, THE BASIS OF THE GOV DESIRE TO NEGOTIATE SOME OTHER KIND OF ARRANGEMENT, PERUVIAN AWARENESS OF GOV RELUCTANCE TO ACCEPT A PAY BACK IN OIL WOULD HAVE OBVIOUSLY RANKLED THE GOP. FURTHER, IF THIS INFORMATION BECAME PUBLIC, IT WOULD SERIOUSLY UNDERMINE THE GOP'S CLAIMS TO BE A NET PETROLEUM EXPORTER IN THE NEAR FUTURE.
DEAN

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